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Ass002 INDIVIDUAL COURSEWORK ASSESSMENT

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Module Name: Strategic Management

Module Leader: Clive Kerridge

Individual Report and Analysis [WRSX]

Group: 6

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Finally, I would like to thank Aston University and the Business School for giving me this wonderful opportunity to learn and improve my skills and knowledge in business and finance.

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Task 1: Evaluation of the principal reasons for the differences between the group's WRSX business plan forecasts and the actual performance during MSX phase 3

During the course of the business module: "Strategic Management", a five-year strategic business plan was formulated to rectify the problems faced by the advertising company WRSX through a careful analysis of the market and company environment. The plan included a detailed view of the market and the capabilities the company possessed which were used to set quantified objectives for financial and non-financial indicators and plans for how they will be achieved.

This evaluation of the final outcome produced as result from the business plan will be divided into two sections, one for financial indicators and the other for non-financial indicators.

Financial Indicators:

Through the course of six board meetings, the company has nearly achieved the Industry average for several of the key financial performance ratios and the financial targets set during the formulation of the business plan. The projected and final KPIs are given below for reference.

Projected Key Financial Performance Indicators from the business plan:

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	£m	£m	£m	£m	£m	£m
Sales Revenue	200.0	240.0	288.0	345.6	414.72	497.7
Profit (PBIT)	33.0	45.0	48.7	52.5	59.8	62.9
Share Price	2.28	2.55	3.20	3.80	4.60	5.50
RoS %	16.5%	18.7%	16.9%	15.2%	14.4%	12.6%
Staff Costs %	63.0%	52.2%	43.2%	35.8%	29.7%	24.6%

Actual Key Financial Performance Indicators achieved after the six board meetings:

	BM1	BM2	BM3	BM4	BM5	BM6
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Sales Revenue	246.0	275.3	284.0	312.7	358.7	374.7
Profit (PBIT)	38.3	42.5	38.3	42.8	55.7	67.9
Share Price	2.44	2.93	2.68	3.15	4.52	5.71
RoS %	15.6%	15.4%	13.5%	13.7%	15.5%	18.1%
Staff Costs %	63.4%	61.8%	63.8%	62.8%	60.5%	58.6%

The initial financial projections suggested by the group during the presentation was considered meagre and as a result, a new projection was formulated and most of them were achieved and surpassed apart from the ridiculous Sales Revenue and Staff Costs percentages. A blunder from the group member responsible for the financial KPIs.

Overall, the company has achieved an above average share price and financial growth due the various decisions taken throughout the six board meetings.

The primary reason for the company's success was its focus on the development of its sustainability profile and restructuring of the organization as a whole. The development of the company's digital marketing division helped it break into new potential markets and further enhance its portfolio. Placing high importance on the improvement of its Corporate Governance has fixed many of the internal issues the company has been facing.

The effective use of influencer marketing and native ads combined with the company's vast knowledge of geographic areas and market segments created a competitive advantage for it which helped WRSX to cement itself as one of the big players in the advertising industry.

Despite the overall success the company has achieved, several things could have been done differently to further increase its sales revenue and share price.

Repairing the company's reputation following the corruption scandal involving Raphael Roux severely affected the company's growth.

One of the biggest mistakes the group committed was the late entry into the Asian market. During board meeting one, when the opportunity to move into the Chinese market was presented, the group voted against it fearing that the company did not have the resources and capabilities to develop a profitable business in that region. This decision was further supported by the group's prior knowledge about how companies like Evergrande and Ant Group were threatened by the Chinese government to bend to their will. That probably lead to the company losing business to Chinese counterparts who provide a more global outlook to clients.

By the third Board meeting, the world economy faced a depression which had affected the advertising industry as its growth is highly reliant on the world GDP. This led to a decrease in revenue and share price but the company salvaged the situation by entering the Indian and Muslim markets which were forecasted to grow at triple the US and European rate. But this was possible only after significant investments in the development of new technologies and marketing strategies which definitely bit into the company's revenue and profits.

Due to the global expansion of the company, it was not able to decrease staff costs significantly but was able to barely keep it near the industry average.

Overall, the business plan was successful in improving the company's finances.

Non-Financial Indicators:

The initial non-financial projections put forward by the group during the presentation was considered overly optimistic and as a result, new projections were formulated which were more logical but did not do the more aggressive financial KPIs justice. The projected and final KPIs are given below for reference.

Projected Key Non-Financial Performance Indicators over a period of Five Years:

Indicators	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Management of Growth	43.5	45.0	47.0	49.0	51.0	53.0
Management of Risk	41.3	44.5	46.0	48.5	50.0	52.0
Leadership Capabilities	39.2	44.0	48.0	53.0	57.0	60.0
Corporate Social Responsibility	38.5	42.5	47.0	49.5	52.0	53.0
Client Attraction and Retention	52.0	54.0	55.0	57.0	60.0	64.0
Procurement and Supplier Management	38.7	43.0	47.0	50.0	54	58.0
Average of All Six NFPI's for WRSX	42.2	45.5	48.3	51.2	54	56.7

Actual Key Non-Financial Performance Indicators achieved after the six board meetings:

Indicators	BM1	BM2	BM3	BM4	BM5	BM6
Management of Growth	51.0	53.5	53.0	53.5	58.3	59.3
Management of Risk	42.0	45.0	44.3	43.3	47.7	49.0
Leadership Capabilities	44.0	47.6	50.2	52.6	55.0	55.8
Corporate Social Responsibility	40.3	41.8	42.3	43.5	45.8	47.3
Client Attraction and Retention	57.4	60.8	61.8	64.0	67.8	67.8
Procurement and Supplier Management	41.7	43.3	46.3	47.3	46.7	47.0
Average of All Six NFPI's for WRSX	46.1	48.7	49.7	50.7	53.5	54.4

Overall, the company has performed extremely well and has nearly achieved the industry average for all six categories and has set itself apart in Client Attraction and Retention. The group is proud to be the leader in Non-financial KPIs out of the 21 other competing groups in the WRSX simulation.

The initial ADCOM survey results showed that WRSX scored below average for every category other than Client Attraction and Retention. This is mainly due to the recent corruption scandal, the ineffectiveness of the organization's leaders and its incapability to exploit its strengths and resources.

Therefore, the primary goal of the organization was to score above average for all six categories over a period of five years with special focus on the following categories:

1. Leadership Capability
2. Client Attraction and Retention
3. Procurement and Supplier Management

The five-year business plan had helped in achieving this objective by focusing on agendas relating to the growth of the various Non-financial KPIs. The main focus of the company was on the development of its sustainability profile and Corporate Social Responsibilities. The successful implementation of Corporate Governance has boosted the company's Management of Growth and Leadership Capabilities.

Refraining from overly spending money on new acquisitions and developing the company's capabilities has improved its Management of Risk. The Influencer program and digital marketing strategy introduced by the company helped it raise its Client Attraction and Retention KPI to new heights.

But despite the company's best efforts, it couldn't successfully improve the Procurement and Supplier Management KPI and CSR KPI to the forecasted values.

This was primarily due to the lack of funds necessary to implement such improvements. The development of a sustainability profile, restructuring of the organization and the implementation of Corporate Governance costed the company more than that was initially predicted. This along with the recession during the third board meeting forced WRSX to cut costs so that its revenue and profits were not affected. But despite all that, the company has performed very well and has achieved great scores for all six KPIs.

Task 2: Discussion of how and why academic models and frameworks for strategic management are applicable to WRSX decision making

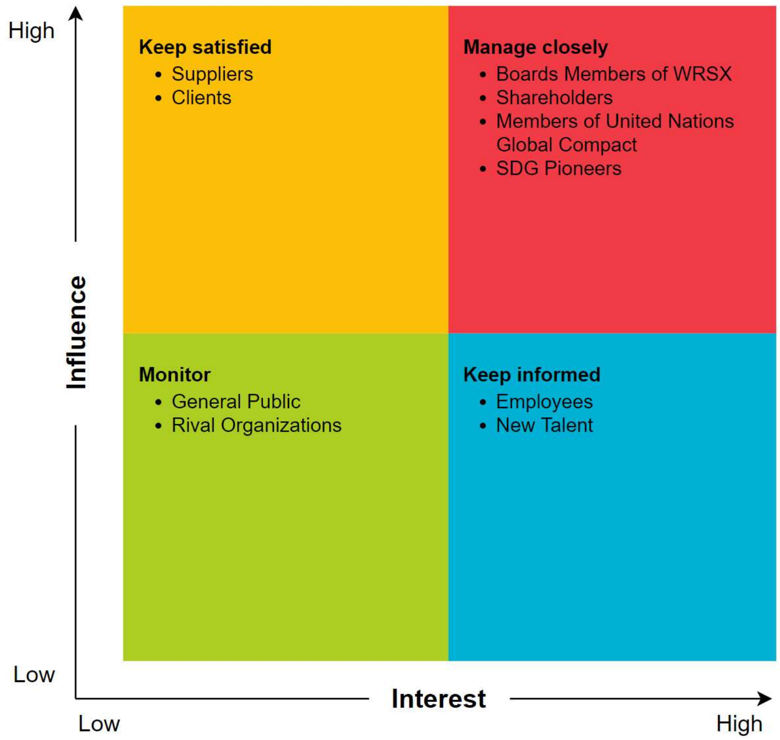
Following the results of Board Meeting Three, the group focussed all its efforts into gaining stability again in the bear market and these agenda choices given below were the result. These choices were reached through the extensive use of academic models and frameworks for strategic management which will be discussed further in detail.

Board Agenda Item 2: WRSX Social Impact – Restoring Trust in Business:

This agenda was chosen as this had the potential to improve the company's sustainability profile and also served as a commercial opportunity. Successful implementation of this agenda would place WRSX in an influential position in the sustainability/social responsibility arena.

This would in turn attract potential clients and new talent to the company and in turn provide them an opportunity to enhance their own profiles and brands and develop new business opportunities for WRSX.

The framework used to choose the action option was the Stakeholder Analysis Matrix (Mendelow,1991) which identifies all the main stakeholders in the project, the level of power and interest that they possess in the project using which an appropriate approach can be chosen for each category of stakeholder.

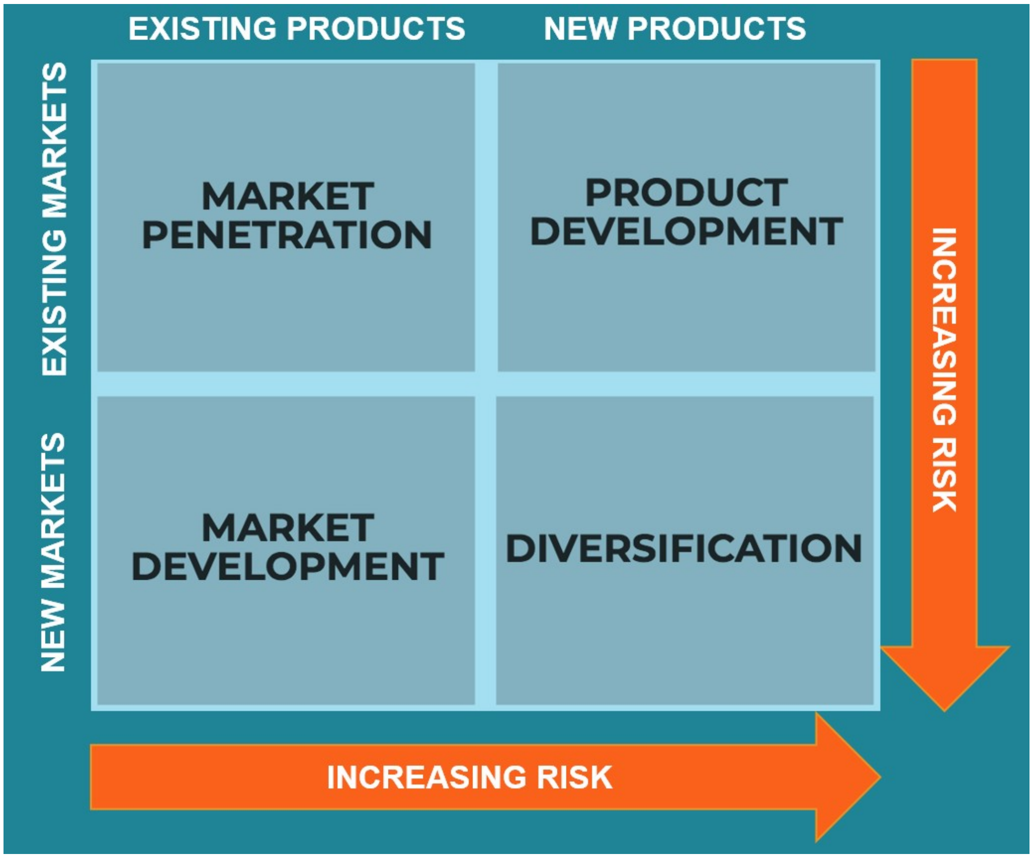


After careful analysis of the matrix, option C was the best approach as it takes into account of all the stakeholders in this situation and creates a synergy which would be great for the company's sustainability profile as well as its business and finances.

Board Agenda Item 3: Strategic alliance in the Indian advertising market:

This agenda was chosen for the company to enter the Asian market. WRSX had incurred a strategic blow due to the board members voting against doing business in China during board meeting 1 and this agenda is perfect to rectify that mistake. India is a newly developing and emerging market and if the right strategies are implemented, it can turn into a cash cow for WRSX.

The main choice to be made in this agenda is whether WRSX should enter the Indian market through an acquisition, a strategic alliance or as WRSX directly. The action option was chosen using the Ansoff Matrix (Ansoff, 1957).



Since WRSX is entering a new market with existing products, it falls under market development and considering the agenda choices, the best course of action is option D where the company opts for a direct entry into the Indian market. This poses less risk to the organisation but it comes with higher costs but with great returns. This option provides a great deal of autonomy to the company as well.

Board Agenda Item 4: Rationalisation & cost cutting:

After board meeting 3, WRSX had witnessed an economic downturn, therefore drastic cost-cutting actions need to be taken in order to ensure that the profits and share price does not drop. The three possible options reducing staff costs through reduction of headcount, delaying upcoming IT system improvements or reducing the number of operating offices in Europe.

Relevant models and frameworks

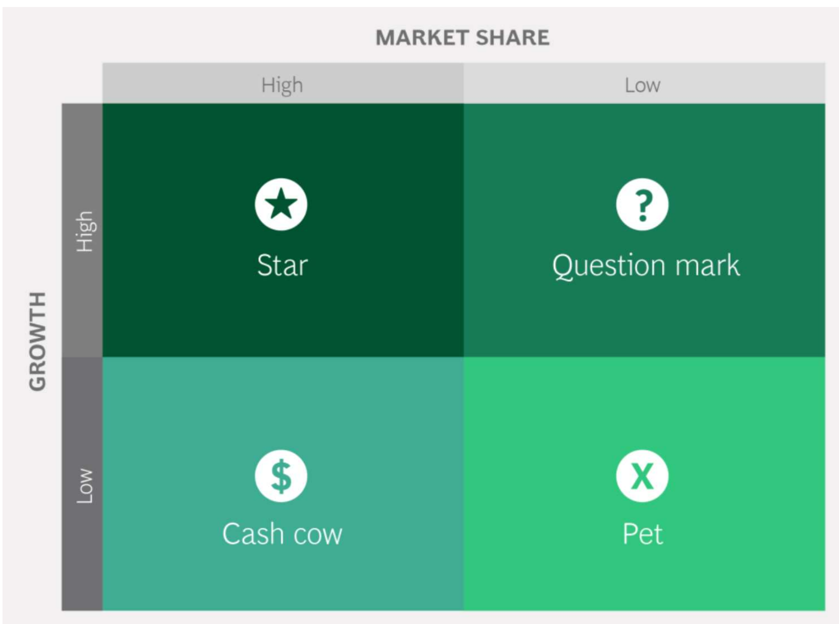
1. Sustaining price-based advantage
2. Turnaround revenue generation and cost reduction steps
3. Sustaining differentiation-based advantage

Using the models and frameworks mentioned above, action option C was deemed to be the best one as combining offices is more efficient and it would allow savings to be passed on via reduced costs to clients. This would reduce staff costs for maintenance of the buildings as well.

Board Agenda Item 5: Corporate venturing opportunity or rewarding disloyalty ?:

This agenda focusses on how to deal with two executive seniors who planned to leave the WRSX group and start their own business in native advertising. It is a growing form of paid media in the digital era which gets 25% more attention than more standard advertising material. Losing these senior executives can result in the loss of talent and future business for the group.

The solution for this situation was reached using the Boston Consulting Group (BCG) growth-share matrix (Reeves et al., 2014):



From the data given in the report, it is clear that this situation belongs in the star quadrant, which means it has high growth and high market share potential in the future and therefore, the company must significantly invest in it to turn it into a cash cow for great returns. Therefore, action option C is chosen.

Task 3: Reflective analysis of the group's decision-making process over the course of the six WRSX board meetings and an evaluation of how it might have been effective and the extent to which the group's strategy was 'emergent'.

During Phase 1 and Phase 2 of the WRSX simulation, my group members were still getting to know each other and were yet to assign what roles they played for the simulations. Me, coming from a technical background into a business setting thought it would be best if I stayed in a supporting role for the initial part of the simulation and slowly pull my weight around later on.

This was mainly because of my fear of the unknown world of business and finance which I overcame as I progressed through the module but in my opinion it was too late by then. Every group member was delegated a task, where one was in charge of the internal and external analysis, another one researched on our strategic options and priorities, while me and another group member set the financial and non-financial KPIs (I was in charge of the Non-Financial KPIs). Finally, all the data was compiled and an implementation plan was formulated by us which was documented by the fifth group member.

Everything went pretty smooth until the presentation, but the group report was barely completed within the deadline and the contents could have been better. I did not overtly express my dismay as it could have been detrimental during the board meetings.

Our primary focus was to make decisions which would improve the company's internal and external environment, its reputation and organisational structure before venturing into new markets like China and India. But the decision to move into China came earlier than expected and we stood to lose out on a lot from not entering the Chinese market in time. Therefore, we focussed on improving our non-financial KPIs and investing in product development and strategies. This bit into our resources quite a lot but in the end it turned out to be great decisions as we achieved an above average share price and financial KPIs but our real success was in the non-financial KPIs where we were number 1 out of 21 groups.

Our decision to focus on non-financial KPIs and product development helped us create a competitive advantage which propelled us to be a powerhouse at the end of the six board meetings.

When it came to things that could have been done better, the group's decision making process lacked focus and we aimed to score high across every KPI. To achieve this, we would have to be business geniuses which we clearly weren't but this realisation set in too late after the economic depression in BM3 where we were forced to focus either on the financial or non-financial KPIs to keep the company in the green. We synonymously chose to focus on the non-financials as the ship had already sailed for salvaging our financial KPIs. Improving our non-financial KPIs helped us boost our share price and sales revenue and helped the company survive the economic downturn.

While we did use various basic frameworks, there was scope to apply more theory and strategic management tools such as a BCG or GE-McKinsey portfolio matrix or an evaluation with the SAFe criteria in the beginning to show the rationale and relative significance of each opportunity and decision we made.

The group started seriously implementing the frameworks and models only by the end of BM3 which did in the end make the difference. Overall the group's strategy was a very emergent one as unforeseen circumstances forced us to make drastic changes in our strategy and direction.

An emergent strategy can be a natural result of a company adopting processes to address changing circumstances (Mintzberg ,2000). The group embraced emergent strategy, we used the power of change to guide our plans, visions and decisions, rather than a specified business strategy. This allowed the group and the company to adopt new and innovative processes through trial and error, which helped us complete the business simulation with a respectable result.

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